

Message Text

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ACTION EB-07

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SUBJECT: QUARTERLY MEAT REPORT (13-C)

1. SECOND QUARTER BEEF AND VEAL EXPORTS SUBJECT TO PL 88-42 TOTALLED 8.5 MILLION LBS. BRINGING FIRST HALF SHIPMENTS TO 19.8 MILLION LBS.

"MAQUILA" BEEF CONTINUES TO BE A SIGNIFICANT FACTOR. FIRST HALF 1976

"MAQUILA" SHIPMENTS OF 8.4 MILLION LBS. REPRESENTS 35 PERCENT OF

TOTAL MEXICAN SHIPMENTS WHEREAS IN 1975 FIRST HALF "MAQUILA"

SHIPMENTS OF 9.3 MILLION LBS. REPRESENTED 86 PERCENT OF TOTAL

MEXICAN SHIPMENTS. INCREASED 1976 MEXICAN BEEF SHIPMENTS DUE

TO MORE ATTRACTIVE PRICES BEING OFFERED BY MEXICAN PACKERS

DUE TO HIGHER AVERAGE EXPORT PRICES FOR BONELESS BEEF DURING

FIRST HALF 1976. HOWEVER, US IMPORT PRICES FOR BONELESS BEEF

ARE DOWN FROM A HIGH OF APPROXIMATELY 81 CENTS/LB. IN MAY

TO 70 CENTS/LB. IN JULY. THIS DROP IN PRICES, ALONG WITH THE

SEASONAL DECLINE IN MARKETING AT THE ONSET OF THE RAINY

SEASON, IS REFLECTED IN A CORRESPONDING DECREASE IN MEXICAN BEEF

EXPORT SHIPMENTS. JULY SHIPMENTS OF MEXICAN BEEF, EXCLUDING

"MAQUILA", WERE DOWN TO 197 THOUSAND LBS.

2. "MAQUILA" BEEF SHIPMENTS WILL BE UP DURING THE SECOND HALF PROVIDED US BONING CATTLE REMAIN ATTRACTIVELY PRICED AND INDICATIONS ARE THIS WILL BE THE CASE AT LEAST DURING THE THIRD QUARTER OF 1976. MAQUILA SHIPMENTS DURING JULY AND FIRST WEEK OF AUGUST WERE AT FAIRLY HIGH LEVELS OF 1.8 MILLION LBS. AND 708 THOUSAND LBS, RESPECTIVELY.

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3. BARRING AN UNEXPECTED DROUGHT, MEXICAN CATTLE WILL CONTINUE MOVING TO MARKET IN AN ORDERLY FASHION WITH THE BEEF SELLING IN THE DOMESTIC OR EXPORT MARKET, DEPENDING ON PRICE. FORCED SALES AT DISTRESS PRICES WOULD MOVE ADDITIONAL MEXICAN BEEF INTO THE EXPORT MARKET. HOWEVER, TO DATE MUCH OF THE NORTHERN RANGE IS IN GOOD CONDITION. A RANCHER CONTACT IN DURANGO REPORTS AND UNUSUAL 24 INCHES OF RAIN DURING PAST TWO MONTHS. DISTRESS SALES ARE NOT LIKELY TO DEVELOP UNTIL LATE IN THE SEASON, IF AT ALL. THE CURRENT SITUATION, GOOD RANGES, US PRICES STEADY, AND WORKING UP COULD LEAD TO HOLDING OF MEXICAN CATTLE DURING THE THIRD QUARTER AND PROVIDING A LARGER RUN OF HEAVIER CATTLE FOR FOURTH QUARTER SLAUGHTER. MEXICAN SLAUGHTER COW PRICES ARE HOLDING FIRM IN THE 6.50 AND 8.00 PESOS PER KILO (US\$23.60 - 29.50 PER 100 CWT.) RANGE.

4. IN VIEW OF SHARP DECLINE IN US PRICES FOR IMPORTED BONELESS AND THE ACCOMPANYING DECREASE IN MEXICAN BEEF SHIPMENTS, WE ARE MAKING A DOWNWARD ADJUSTMENT IN PROJECTED THIRD QUARTER 1976 SHIPMENTS. FOURTH QUARTER PROJECTED SHIPMENTS REMAIN AT THE CURRENT 20 MILLION LB. LEVEL, REMEMBERING 1975 WHEN FOURTH QUARTER SHIPMENTS OF 13.2 MILLION LBS. REPRESENTED 42 PERCENT OF TOTAL 1975 SHIPMENTS. GIVEN A GOOD MARKET (US PRICES IN THE HIGH 70'S TO LOW 80'S) EXISTING MEXICAN PLANT CAPACITY CAN PROCESS FOR EXPORT UP TO 10 MILLION LBS. PER MONTH.

| FIRST | SECOND | THIRD | FOURTH | TOTAL |
|--------|--------|-------|--------|--------|
| 11,300 | 8,500 | 6,200 | 20,000 | 46,000 |

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